

STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1999

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**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1999**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS P.C.
Certified Public Accountants**

LEGISLATIVE AUDIT DIVISION

Scott A. Seecat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

October 1999

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Branch for the two fiscal years ended June 30, 1999.

The audit was conducted by the accounting firm Junkermier, Clark, Campanella & Stevens, P.C., under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

Written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seecat", written over a horizontal line.

Scott A. Seecat
Legislative Auditor

99C-04

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL**

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LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 1999

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

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Billie Krenzler
Paul Sliter

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Mack Cole
Debbie Bowman Shea
Bruce Crippen
Steve Doherty

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Beverly Barnhart
Mary Anne Guggenheim
Bob Pavlovich

SENATORS

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Mike Taylor
Ken Miller
Reiny Jabs
Barry "Spook" Stang
Jon Tester

LEGISLATIVE AUDITOR: Scott A. Seacat

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Matt McCann
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Tom Zook
Bob Raney
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SENATORS

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Charles "Chuck" Swysgood
Tom Beck
Eve Franklin
Arnie Mohl
B.F. "Chris" Christiaens

LEGISLATIVE FISCAL ANALYST: Clayton L. Schenck



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Campanella • Stevens • P.C.**

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Rick A. Frost, CPA
Robert E. Nebel, CPA
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Robert E. Geis, CPA
Daniel J. Eigeman, CPA
Gerald L. Hanson, CPA
Joseph S. Adney, CPA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 1998 and 1999, as listed in the table of contents. These financial statements are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 1998 and 1999, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 1999, on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 7, 1999

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	General Fund	Special Revenue Fund	Enterprise Fund
FUND BALANCE: July 1, 1997	\$ (351,841)	\$ 312,880	\$ 0
PROPERTY HELD IN TRUST: July 1, 1997			
ADDITIONS			
Budgeted Revenues & Transfers-In	382	2,779,079	
Nonbudgeted Revenues & Transfers-In	403	99,341	
Prior Year Revenues & Transfers-In Adjustments	(358)	(879)	
Cash Transfers In (Out)	6,494,457	29,545	52,104
Direct Entries to Fund Balance		90,216	
Total Additions	<u>6,494,884</u>	<u>2,997,303</u>	<u>52,104</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	6,687,769	2,103,141	52,708
Prior Year Expenditures & Transfers-Out Adjustments	(11,659)	124	
Total Reductions	<u>6,676,110</u>	<u>2,103,265</u>	<u>52,708</u>
FUND BALANCE: June 30, 1998	\$ (533,067)	\$ 1,206,917	\$ (604)
PROPERTY HELD IN TRUST: June 30, 1998			

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	General Fund	Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 1,442,567	\$ 1,442,567
Sale of Documents, Merchandise and Property	\$ 24	1,351,379	1,351,403
Miscellaneous	403		403
Grants, Contracts, Donations and Abandonments		83,595	83,595
Total Revenues & Transfers-In	<u>427</u>	<u>2,877,541</u>	<u>2,877,968</u>
Less:			
Nonbudgeted Revenues & Transfers-In	403	99,341	99,744
Prior Year Revenues & Transfers-In Adjustments	(358)	(879)	(1,237)
Actual Budgeted Revenues & Transfers-In	<u>382</u>	<u>2,779,079</u>	<u>2,779,461</u>
Estimated Revenues & Transfers-In	5,000	2,843,591	2,848,591
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (4,618)</u>	<u>\$ (64,512)</u>	<u>\$ (69,130)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ 70,635	\$ 70,635
Sale of Documents, Merchandise and Property	\$ (4,618)	11,258	6,640
Miscellaneous			0
Grants, Contracts, Donations and Abandonments		(146,405)	(146,405)
Budgeted Revenues & Transfers-In Over (under) Estimated	<u>\$ (4,618)</u>	<u>\$ (64,512)</u>	<u>\$ (69,130)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT

	Legislative Services	Legislative Capital Activities	Legislative Services and Bill	Legislature - Senate	Legislature - House	Fiscal Analysis & Review	Audit & Examination	Total
Personal Services								
Salaries	\$ 1,757,737	\$ 70,653	\$	\$ 12,961	\$ 27,783	\$ 672,568	\$ 1,934,252	\$ 4,475,973
Other Compensation	412,046	7,478		260,338	485,236	575	489,051	575
Employee Benefits	2,169,783	76,131		263,318	523,568	148,762	2,373,313	1,753,260
Total						821,935		6,233,866
Operating Expenses								
Other Services	1,223,016	105,225	\$	16	126	28,307	103,284	1,531,481
Supplies & Materials	323,467	3,611	14	37	15	8,115	19,909	355,169
Communications	96,928	12,817	4,611	38	108	7,979	16,415	138,896
Travel	8,879	149,982		2,341	2,309	23,052	66,905	253,468
Rent	97,262	1,723				58	281	99,256
Repairs & Maintenance	2,607				8,419	58	8,485	3,080
Other Expenses	60,897	88,715		550	1,162	1,815	28,568	180,779
Total	1,837,123	362,073	76,131	2,983	11,162	69,376	235,528	2,594,327
Equipment & Intangible Assets								
Equipment	7,947							7,947
Total	4,014,853	440,203	76,131	266,302	534,521	891,232	2,608,841	8,832,083
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 3,034,905	\$ 327,166	\$ 76,131	\$ 266,302	\$ 534,521	\$ 882,094	\$ 1,554,990	\$ 6,676,110
Special Revenue Fund	979,948	60,329				9,137	1,053,850	2,103,265
Enterprise Fund	52,708							52,708
Total Program Expenditures & Transfers-Out	4,014,853	440,203	76,131	266,302	534,521	891,232	2,608,841	8,832,083
Less								0
Nonbudgeted Expenditures & Transfers-Out	(13,044)					1,324	186	(11,535)
Actual Budgeted Expenditures & Transfers-Out	4,027,898	440,203	76,131	266,302	534,521	889,508	2,608,655	8,843,617
Budget Authority	4,342,147	943,715	214,210	498,369	903,314	837,366	2,951,578	10,790,899
Unspent Budget Authority	\$ 314,249	\$ 503,512	\$ 138,078	\$ 232,067	\$ 368,594	\$ 47,456	\$ 342,973	\$ 1,947,281
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 314,249	\$ 249,925	\$ 138,078	\$ 232,067	\$ 368,594	\$ 31,596	\$ 134,679	\$ 1,469,588
Special Revenue Fund		206,295				15,863	208,244	430,401
Enterprise Fund		47,292						47,292
Unspent Budget Authority	\$ 314,249	\$ 503,512	\$ 138,078	\$ 232,067	\$ 368,594	\$ 47,456	\$ 342,973	\$ 1,947,281

This schedule is prepared from the Statewide Budgeting and Accounting System

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	General Fund	Special Revenue Fund	Enterprise Fund	Agency Fund	Pension Trust Fund
	\$	\$	\$	\$	\$
FUND BALANCE: July 1, 1998	(533,067)	1,206,917	(604)	0	0
PROPERTY HELD IN TRUST: July 1, 1998					
ADDITIONS					
Budgeted Revenues & Transfers-In	51,027	1,177,626			
Nonbudgeted Revenues & Transfers-In	1,490	32,226			
Prior Year Revenues & Transfers-In Adjustments	4	1,896			
Cash Transfers In (Out)	10,359,442	12,529	47,835		
Direct Entries to Fund Balance		(161,776)			
Total Additions	10,411,962	1,062,500	47,835	0	0
REDUCTIONS					
Budgeted Expenditures & Transfers-Out	10,069,989	2,047,734	47,231		
Prior Year Expenditures & Transfers-Out Adjustments	(773)	(132)			
Total Reductions	10,069,215	2,047,602	47,231	0	0
FUND BALANCE: June 30, 1999	(190,321)	221,816	0	0	0
PROPERTY HELD IN TRUST: June 30, 1999					

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	General Fund	Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Charges for Services		\$ 1,156,943	\$ 1,156,943
Sale of Documents, Merchandise and Property	\$ 51,027	54,804	105,831
Miscellaneous	1,493		1,493
Grants, Contracts, Donations and Abandonments			0
Total Revenues & Transfers-In	<u>52,520</u>	<u>1,211,747</u>	<u>1,264,267</u>
Less: Nonbudgeted Revenues & Transfers-In			
Prior Year Revenues & Transfers-In Adjustments	1,490	32,226	33,715
	4	1,896	1,899
Actual Budgeted Revenues & Transfers-In	<u>51,027</u>	<u>1,177,626</u>	<u>1,228,653</u>
Estimated Revenues & Transfers-In	50,000	1,345,067	1,395,067
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>1,027</u>	<u>(167,441)</u>	<u>(166,414)</u>
	\$	\$	\$
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ (3,945)	\$ (3,945)
Sale of Documents, Merchandise and Property	\$ 1,027	(17,092)	(16,065)
Miscellaneous			0
Grants, Contracts, Donations and Abandonments		(146,405)	(146,405)
Budgeted Revenues & Transfers-In Over (under) Estimated	<u>1,027</u>	<u>(167,441)</u>	<u>(166,414)</u>
	\$	\$	\$

See the notes to financial statements.

PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT

	Legislative Services	Legis- Committees & Activities	Legislative Services Feed Bill	Legislature - Senate	Legislature - House	Fiscal Analysis & Review	Audit & Examination	Total
Personal Services								
Salaries	\$ 1,908,107	\$ 27,576	\$ 80,430	\$ 698,897	\$ 952,872	\$ 699,452	\$ 1,977,358	\$ 6,334,691
Salaries Compensation	448,595	2,649	11,097	406,125	899,700	350		1,216,175
Employee Benefits	2,356,701	30,728	91,526	244,266	372,346	157,258	460,704	1,696,914
Total				1,339,288	2,134,918	857,059	2,438,062	9,247,780
Operating Expenses								
Other Services	998,483	94,012	249,291	19,298	27,795	46,280	455,705	1,891,744
Supplies & Materials	244,111	1,795	26,637	3,343	5,781	5,789	15,781	1,899,464
Communications	44,277	7,072	55,635	4,390	4,769	6,699	15,034	107,594
Travel	5,430	77,997	43,838	43,838	76,314	10,610	65,223	137,796
Rent	104,056	633		825	2,099			275,313
Repair & Maintenance	22,935		6	4,762	5,813	372	214	107,613
Other Expenses	58,950	90,512	82	280	1,250			33,732
Total	1,456,893	271,110	308,772	87,091	144,656	69,750	57,997	176,606
Total Program Expenditures & Transfers-Out	\$ 3,813,595	\$ 301,335	\$ 400,298	\$ 1,426,379	\$ 2,279,573	\$ 926,809	\$ 3,016,059	\$ 12,164,049
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 3,364,226	\$ 199,108	\$ 400,298	\$ 1,426,379	\$ 2,279,573	\$ 926,809	\$ 1,472,021	\$ 10,069,215
Special Revenue Fund	448,369	54,996					1,543,237	2,047,502
Enterprise Fund		47,231						47,231
Total Program Expenditures & Transfers-Out	\$ 3,813,595	\$ 301,335	\$ 400,298	\$ 1,426,379	\$ 2,279,573	\$ 926,809	\$ 3,016,059	\$ 12,164,049
Less: Nonbudgeted Expenditures & Transfers-Out	(1,049)	(130)				263	0	909
Actual Budgeted Expenditures & Transfers-Out Adjustments	3,814,644	301,465	400,298	1,426,379	2,279,573	926,546	3,016,047	12,164,954
Budget Authority	4,225,233	527,861	705,982	2,107,722	3,255,180	953,227	3,284,648	15,330,053
Unspent Budget Authority	410,589	276,396	305,684	681,343	1,245,607	26,681	268,801	3,165,100
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 410,589	\$ 75,036	\$ 305,684	\$ 681,343	\$ 1,245,607	\$ 10,818	\$ 266,020	\$ 2,995,097
Special Revenue Fund		151,299				15,853	2,780	169,941
Enterprise Fund		61						61
Unspent Budget Authority	\$ 410,589	\$ 276,396	\$ 305,684	\$ 681,343	\$ 1,245,607	\$ 26,681	\$ 268,801	\$ 3,165,100

See the notes to financial statements.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 1998 and 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

The Legislative Branch uses the accrual basis of accounting for the State Lottery Fund. Under the accrual basis, as defined by state accounting policy, the Legislative Branch records revenues in the accounting period when measurable and records expenses in the period incurred, when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Financial Schedule Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

Governmental Funds:

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

Enterprise Fund:

The State Lottery Fund is an enterprise fund, which is used to account for activities in which the operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis is financed or recovered primarily through user charges.

2. GENERAL FUND BALANCE

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balances and Property Held in Trust reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 1998 and 1999.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 1998 and 1999**

3. YEAR 2000 ISSUES

The Legislative Branch, excluding the Consumer Counsel, is aware of the issues associated with the potential year 2000 computer and software problems. The Branch has assessed the computer systems for year 2000 compliance and has taken the appropriate actions to address compliance issues.



**Junkermier • Clark
Campanella • Stevens • P.C.**

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 1998 and 1999, and have issued our report thereon dated October 7, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Legislative Branch's, financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Branch's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of the one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 7, 1999



Council Senate Members
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November 2, 1999

Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

The Legislative Branch have reviewed the draft audit report for the Legislative Branch (agency 11040). We are pleased agency accounting meets all tested standards and that no recommendations are required.

We are particularly pleased we have a long history of clean audits. Dedication and cooperation of a number of people make this possible. As manager of the financial services office, Karen Berger has continued to earn more than her share of the credit for this situation. Over the course of the accounting period covered by this audit, the state developed a new accounting system and implemented the payroll component of it. Karen involved herself deeply in aspects of the development, maintained high standards for current accounting, and recruited and trained staff with a total turnover of accounting personnel.

Thank you for your work.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert B. Person".

Robert B. Person
Executive Director

CI0425 9306rpxa.

